

# **R & B Falcon (Caledonia) Limited**

## **Report and Financial Statements**

31 December 2020



**Directors**

A A Hay  
C C M Meldrum  
R M Martin

**Auditors**

Ernst & Young LLP  
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2 Marischal Square  
Broad Street  
Aberdeen  
United Kingdom  
AB10 1BL

**Registered Office**

1 Chamberlain Square Cs,  
Birmingham  
United Kingdom  
B3 3AX

## Directors' Report

The directors present their report and financial statements for the year ended 31 December 2020.

The report has been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to small entities.

In accordance with s.414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the company has taken exemption from preparing a separate strategic report.

### Results

The loss for the year after taxation was \$3,000 (2019: \$4,000).

### Principal activity, review of the business and future developments

The company has not traded since 2001 and is not expected to trade in future years. The loss in the year arose primarily from professional fees.

### Directors

The current directors are shown on page 1.

The directors who served the company during the year and up to the date of signing were as follows:

A A Hay  
C C M Meldrum  
R M Martin

### Principal risks and uncertainties

The main business risk facing this dormant Company relates to COVID-19 pandemic.

#### Pandemic

The global COVID-19 pandemic continues following its outbreak in March 2020. A detailed statement addressing this matter is referenced in the 2020 Annual Report (Form 10K) of Transocean Limited which is available for download from [www.deepwater.com](http://www.deepwater.com).

During 2020 and 2021, the UK government has provided financial support to businesses primarily by way of the Coronavirus Job Retention Scheme, also known as the furlough scheme. The company has no employees and therefore did not require to place anyone on furlough. Equally the company did not require any other financial support that was made available during the pandemic.

The financial statements have been prepared based on conditions existing at 31 December 2020 and considering those events occurring after that date, that provide evidence of conditions that existed at the end of the reporting period. During 2020, there were no directly related COVID costs incurred by the company.

#### Notice of Default

It should be noted that Transocean Ltd. highlighted the following as part of the recent 4 May 2021 Form 10-Q filing.

**Debt exchange litigation and purported notice of default**—On 14 August 2020, Transocean Ltd ("Transocean") issued \$238 million aggregate principal amount of 2.50% senior guaranteed exchangeable bonds due January 2027 in non-cash private exchanges for \$397 million aggregate principal amount of the 0.50% exchangeable senior bonds due January 2023 (collectively, the "Private Exchange").

On 11 September 2020, Transocean issued \$687 million aggregate principal amount of 11.50% senior guaranteed notes due January 2027 in non-cash exchange transactions with the respective holders for \$1.5 billion aggregate principal amount of several series of Transocean's existing debt securities that were validly tendered and accepted for purchase (the "Exchange Offers" and, together with the Private Exchange, the "Exchange Transactions"), associated with the restructuring of debt. Prior to the consummation of the Exchange Transactions, Transocean completed certain internal reorganization transactions (the "Internal Reorganization"). In September 2020, funds managed by, or affiliated with, Whitebox Advisors LLC ("Whitebox") as holders of certain series of Transocean's notes subject to the Exchange Offers, filed a claim (the "Claim") in the U.S. District Court for the Southern District of New York (the "Court")

## Directors' Report (continued)

related to such certain internal reorganization transactions and the Exchange Offers. Additionally, in September and October 2020, Whitebox and funds managed by, or affiliated with, Pacific Investment Management Company LLC, as debtholders, together with certain other advisors and debtholders, provided purported notices of alleged default with respect to the indentures governing, respectively, the 8.00% Guaranteed Notes and the 7.25% Guaranteed Notes.

On 23 September 2020, Transocean filed an answer to the Claim with the Court and asserted counterclaims seeking a declaratory judgment that, among other matters, the Internal Reorganization did not cause a default under the indenture governing the 8.00% Guaranteed Notes. Concurrently, with answers and counterclaims, Transocean also submitted a motion for summary judgment seeking an expedited judgment on Transocean's request for declaratory judgment. Whitebox subsequently submitted a cross motion for summary judgment seeking dismissal of counterclaims. On 30 November 2020, while awaiting the Court's ruling on motion for summary judgment, Transocean amended certain financing documents and implemented certain internal reorganization transactions, which resolved the allegations contained in the purported notices of default. On 17 December 2020, the Court issued its ruling granting motion for summary judgment and denying the plaintiff's cross motion for summary judgment, holding, among other matters, that the allegations contained in the purported notice of default did not constitute a default under the indenture governing the 8.00% Guaranteed Notes. Whitebox has appealed the Court's ruling.

The facts alleged in the purported notice of default under the 8.00% Guaranteed Notes were the same as the facts underlying the Claim and the purported notice of default under the 7.25% Guaranteed Notes. Accordingly, following the amendment and internal reorganization transactions on 30 November 2020, and the subsequent ruling from the Court granting motion for summary judgment, Transocean does not expect the liability, if any, resulting from these matters to have a material adverse effect on their consolidated statement of financial position, results of operations or cash flows.

Having evaluated the merits of the case, and obtaining external legal advice, the Company continue to place reliance on the Parent company's letter of support and conclude that it is appropriate for the financial statements to be prepared on a going concern basis.

### Going Concern

As the Company is loss making it may be reliant on parental support to continue as a going concern. The directors have obtained confirmation from an appropriate parent undertaking, Transocean Inc. that it will provide financial support to allow the company to meet its liabilities as and when they fall due, to the extent that the company is not able to meet such liabilities; and to recover in full sums due to it, when so due, from other group undertakings. The Directors have made enquiries to determine the ability of the parent undertaking to provide this support and are satisfied the group forecasts provide sufficient liquidity and capital resources to sustain the business. The support outlined above is valid for a period of at least 12 months from the date of signing the financial statements. However, during 2020 Transocean Inc. and the group parent Transocean Ltd. received a notice of default on some of their loans and litigation was raised on the matter, further details are set out in note 1.1 Going Concern and Directors' Report.

However, on 17 December 2020, the United States District Court for the Southern District of New York granted Transocean Ltd. and Transocean Inc.'s (together, Transocean) motion for summary judgement. The Court held that Transocean's previously announced exchange transactions and internal reorganisation did not violate the applicable provisions of the indenture governing the 2027 Guaranteed Notes (the "2027 Notes Indenture"), that the purported events of default described in the 2027 Notes Notice do not constitute an actual default under the 2027 Notes Indenture, and that any associated rights and remedies sought by Whitebox, including acceleration of the 2027 Guaranteed Notes, are unavailable. Although this ruling is in Transocean's favour, Whitebox has appealed the Court's ruling.

The directors consider that the notice of default no longer results in a material uncertainty which could cast significant doubt upon the ability of Transocean Inc. to provide financial support to the Company. Given the progress made with the case during 2020, particularly the court ruling in Transocean's favour, the Directors conclude that the risk to Going Concern is remote. Having evaluated the merits of the case, and obtaining external legal advice, the directors continue to place reliance on the Parent company's letter of

## Directors' Report (continued)

support and concluded that it was appropriate for the financial statements to be prepared on a going concern basis.

### Disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

In accordance with s.487 of the Companies Act 2006, Ernst & Young LLP is deemed to be re-appointed as the auditor of the company.

On behalf of the Board



C C M Meldrum

Director

23 September 2021

## Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

## **to the members of R & B Falcon (Caledonia) Limited**

### **Opinion**

We have audited the financial statements of R&B Falcon (Caledonia) Limited for the year ended 31 December 2020 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 11, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified a material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent auditors' report (continued)**

**to the members of R & B Falcon (Caledonia) Limited**

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

# Independent auditors' report (continued)

## to the members of R & B Falcon (Caledonia) Limited

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are:
  - Those related to the reporting framework (FRS 101 "Reduced Disclosure Framework and Companies Act 2006)
  - The relevant direct and indirect tax compliance regulation in the United Kingdom
  - Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007
  - The Bribery Act 2010
  - Occupational Health and Safety regulations
  - Environmental regulations
  - UK Data Protection Act and European Union General Data Protection Regulation (GDPR)
- We understood how the company is complying with those frameworks by making enquiries of management, those charged with governance, and the general counsel of the company to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiring of management, those charged with governance, and other employees within the company to understand the company's policies and procedures. We also obtained documentation on the entity-level control environment to determine whether it supports the prevention, detection and correction of material misstatements, including those that are due to fraud.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations identified above. Our procedures involved enquiry with management, including that of the general counsel of the company, and considering whether any events or conditions during the audit might have indicated noncompliance with laws and regulations. Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Gemma Noble, Senior statutory auditor  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Aberdeen  
23 September 2021

## Profit and loss account

for the year ended 31 December 2020

	Notes	2020 \$000	2019 \$000
Administrative expenses		(3)	(4)
<b>Operating loss</b>	3	(3)	(4)
<b>Loss before taxation</b>		(3)	(4)
Tax on loss	5	-	-
<b>Loss for the financial year</b>		(3)	(4)

## Statement of other comprehensive income

for the year ended 31 December 2020

	2020 \$000	2019 \$000
<b>Loss for the financial year</b>	(3)	(4)
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive loss for the year</b>	(3)	(4)

## Balance sheet

at 31 December 2020

	Notes	2020 \$000	2019 \$000
<b>Current asset</b>			
Debtors	6	179	178
<b>Creditors:</b> amounts falling due within one year	7	(6)	(2)
<b>Net assets</b>		<u>173</u>	<u>176</u>
<b>Capital and Reserves</b>			
Called up share capital	8	-	-
Capital reserve		-	-
Profit and loss account		173	176
<b>Total equity</b>		<u>173</u>	<u>176</u>

These financial statements were approved by the board of directors on 23 September 2021 and were signed on its behalf by:



C C M Meldrum  
Director

## Statement of changes in equity

for the year ended 31 December 2020

	<i>Called up Share capital</i>	<i>Capital reserve</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>As at 1 January 2019</b>	-	1,940	2,719	4,659
Loss for the year	-	-	(4)	(4)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(4)	(4)
Share capital reduction	-	(1,940)	1,940	-
Dividend paid (note 9)	-	-	(4,479)	(4,479)
<b>At 31 December 2019</b>	-	-	176	176
Loss for the year	-	-	(3)	(3)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	(3)	(3)
<b>At 31 December 2020</b>	-	-	173	173

## Notes to the financial statements

at 31 December 2020

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of R & B Falcon (Caledonia) Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 23 September 2021 and the balance sheet was signed on the board's behalf by C C M Meldrum. The Company is a private company, limited by shares and is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 - *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards.

The Company's functional and presentation currency is US Dollar (USD) and all values are rounded to the nearest thousand dollars (\$'000) except when otherwise indicated.

The results of the Company and associated undertakings are included in the consolidated financial statements of Transocean Ltd., a company registered in Switzerland and are available from [www.deepwater.com](http://www.deepwater.com).

The principal accounting policies adopted by the company are set out in note 2.

#### 1.1 Going Concern

As the Company is loss making it may be reliant on parental support to continue as a going concern. The directors have obtained confirmation from an appropriate parent undertaking, Transocean Inc. that it will provide financial support to allow the company to meet its liabilities as and when they fall due, to the extent that the company is not able to meet such liabilities; and to recover in full sums due to it, when so due, from other group undertakings. The Directors have made enquiries to determine the ability of the parent undertaking to provide this support and are satisfied the group forecasts provide sufficient liquidity and capital resources to sustain the business. The support outlined above is valid for a period of at least 12 months from the date of signing the financial statements. However, during 2020 Transocean Inc. and the group parent Transocean Ltd. received a notice of default on some of their loans and litigation was raised on the matter.

On 17 December 2020, the United States District Court for the Southern District of New York granted Transocean Ltd. and Transocean Inc.'s (together, Transocean) motion for summary judgement. The Court held that Transocean's previously announced exchange transactions and internal reorganisation did not violate the applicable provisions of the indenture governing the 2027 Guaranteed Notes (the "2027 Notes Indenture"), that the purported events of default described in the 2027 Notes Notice do not constitute an actual default under the 2027 Notes Indenture, and that any associated rights and remedies sought by Whitebox, including acceleration of the 2027 Guaranteed Notes, are unavailable. Although this ruling is in Transocean's favour, Whitebox has appealed the Court's ruling.

The directors consider that the notice of default no longer results in a material uncertainty which could cast significant doubt upon the ability of Transocean Inc. to provide financial support to the Company. Given the progress made with the case during 2020, particularly the court ruling in Transocean's favour, the Directors conclude that the risk to Going Concern is remote. Having evaluated the merits of the case, and obtaining external legal advice, the directors continue to place reliance on the Parent company's letter of support and concluded that it was appropriate for the financial statements to be prepared on a going concern basis.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies

#### 2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
  - (b) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - (i) paragraph 79(a)(iv) of IAS 1;
  - (c) the requirements of paragraphs 10(d), 10(f), 16, 38A – 38D, 40A – 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
  - (d) the requirements of IAS 7 Statement of Cash Flows;
  - (e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
  - (f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
  - (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
  - (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*; and
  - (i) The requirements of paragraphs 91-97 of IFRS 13 Fair value measurement.
- where required equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis unless stated otherwise in note 2.4 "significant accounting policies"

#### 2.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

##### **Provision for recoverability of receivables**

The Company reviews the intercompany receivable balances on an entity by entity basis at each reporting date and measures the probability of expected credit loss occurring using the IFRS 9 calculation model. The Company assesses the results and recognises that the intercompany receivable balances which cannot be recovered or settled are negligible. The Company also has parental support letter in place.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### *2.3 Judgements and key sources of estimation uncertainty (continued)*

##### **Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 5.

#### *2.4 Significant accounting policies*

##### **Foreign currency translation**

The company's financial statements are presented in U.S. Dollars, which is also the company's functional currency. The exchange rate as at 31 December was £/\$ 1.3670

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### **Taxation**

UK Corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Financial Instruments**

##### *Financial liabilities and equity instruments*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### 2.4 Significant accounting policies (continued)

##### *Financial Instruments (continued)*

##### *Financial assets - Classification*

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost (AC).

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

All of the Company's financial assets, comprising of loans and other amounts receivable as well as cash and bank balances, are classified in the amortised cost category. There are no financial assets which are measured at fair value either through OCI or through profit or loss.

##### *Financial assets - Recognition and derecognition*

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### *Financial assets - Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

##### *Financial assets - impairment - credit loss allowance for ECL*

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

## Notes to the financial statements

at 31 December 2020

### 2. Accounting policies (continued)

#### 2.4 Significant accounting policies (continued)

##### *Financial Instruments (continued)*

For all financial assets that are subject to impairment under IFRS 9, the Company applies the general approach, three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

All financial assets of the Company as at 31 December 2020 and 01 January 2020 were considered to be Stage 1.

##### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Fair value measurement*

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### 2.5 Changes in accounting policies and disclosures

##### *New and amended standards and interpretations*

No new or amended standards have been adopted during 2020.

## Notes to the financial statements

at 31 December 2020

### 3. Operating loss

This is stated after charging:

	2020	2019
	\$000	\$000
Auditors' remuneration - Audit of the financial statements	2	2

### 4. Directors' remuneration

The directors of the company are employees of the Transocean Ltd. group and receive remuneration from other Transocean Ltd. group undertakings. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the other Transocean Ltd. group undertakings.

### 5. Taxation

(a) Tax (credited)/charged in the profit and loss account

The tax (credit)/charge is made up as follows :

	2020	2019
	\$000	\$000
<i>Current income tax:</i>		
Tax (income)/expense in the profit and loss account	-	-

(b) Reconciliation of the total tax credit/(charge)

The tax expense/(income) in the profit and loss account differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are reconciled below:

	2020	2019
	\$000	\$000
(Loss) before taxation	(3)	(4)
Tax calculation at rate of corporation tax 19% (2019 – 19%)	(1)	(1)
<i>Effects of:</i>		
Group relief (received)/surrendered for no consideration	1	(26)
Permanent adjustments	-	27
Total tax expense/(income) reported in the profit and loss account	-	-

## Notes to the financial statements

at 31 December 2020

### 5. Taxation (continued)

#### (c) Deferred taxation

Deferred taxation assets of \$41,559 (2019 - \$37,185) have not been recognised as there is insufficient evidence that there will be sufficient taxable profits in future periods which would result in the asset being recoverable. The deferred tax asset can be analysed as follows:

	2020 \$000	2019 \$000
Deferred taxation:		
Carried forward losses	42	37
	<u>42</u>	<u>37</u>

#### (d) Change in corporation tax rate

The standard rate of UK corporation tax in the year is 19% with effect from 1 April 2017. At Budget 2020, it was announced that the previously enacted tax rate reduction to 17% from 1 April 2020 would remain at 19%. The Finance Bill 2021 was enacted 10 June 2021 and includes the rise in the main UK corporation tax rate to 25% from 1 April 2023.

### 6. Debtors

	2020 \$000	2019 \$000
Amounts owed by group undertakings	179	178

Amounts owed by group undertakings are repayable on demand and non-interest bearing.

### 7. Creditors: amounts falling due within one year

	2020 \$000	2019 \$000
Amounts owed to group undertakings	4	-
Accruals	2	2
	<u>6</u>	<u>2</u>

Amounts owed to group undertakings are repayable on demand and non-interest bearing.

## Notes to the financial statements

at 31 December 2020

### 8. Called-up share capital

	2020	2019
<i>Allotted, called-up and fully paid</i>	\$	\$
98 ordinary shares of £1 each	137	137
2 deferred ordinary shares of £1 each	3	3
	<u>140</u>	<u>140</u>

### 9. Dividend paid

	2020	2019
Cash dividend on ordinary shares declared and paid	\$000	\$000
Interim dividend for 2020: \$0 (2019: \$44,782.48 per share)	-	4,479

### 10. Related party transactions

The company has taken advantage of the exemption in FRS 101 not to disclose transactions with wholly owned entities which form part of the group.

There were no other related party transactions during the year.

### 11. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is R&B Falcon (UK) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking is Transocean Ltd., a company registered in Switzerland.

The consolidated accounts of Transocean Ltd. are those of the smallest and the largest group of which the company is a member and for which group accounts are prepared.

Copies of these accounts can be obtained from [www.deepwater.com](http://www.deepwater.com).